

advantages of uniformity in currency ; of uniformity in security ; of effectual safeguard, if effectual safeguard is possible, against depreciation ; and of protection from losses in discounts and exchanges; while in the operations of the government the people would find the further advantage of a large demand for government securities, of increased facilities for obtaining the loans required by the war, and of some alleviation of the burdens on industry through a diminution in the rate of interest, or a participation in the profit of circulation, without risking the perils of a great money monopoly".<sup>1</sup>

The Committee of Ways and Means of the House of Representatives set to work upon a bill and made a careful study of the banking laws of the various States. The Secretary's scheme was based upon the New York free banking law and had been urged upon Mr. Chase as early as August, 1861, by Mr. O. B. Potter of that State. Some improvements on the New York plan were incorporated in the bill of the committee. The provisions relating to the reserve fund were drawn largely from the banking laws of Louisiana, and other features were adapted from the laws of Ohio and Illinois. It was pointed out early in the public discussion of the plan that the volume of circulation would depend upon the price of bonds rather than upon the needs of the money market, and opposition was pronounced among the New York bankers. Thaddeus Stevens reported against the bill, and its necessity was postponed for the time being by the issue of legal tender notes. Mr. Chase returned to the subject in his annual report for 1862, and his language in favor of basing the monetary circulation on evidences of the public debt sounds very like that adopted by Mirabeau, in urging the issue of the *assignats* upon the French Assembly.<sup>3</sup> The Secretary declared:

Every dollar of circulation would represent real capital, actually invested in national stocks, and the total amount issued could always be easily and quickly ascertained from the books of the Treasury. These circumstances, if they might not wholly remove the temptation to excessive issues, would certainly reduce it to the lowest point, while the form of the notes, the uniformity of devices, the signatures

<sup>1</sup> *Report on the Finances* ^ 1861, 19.

<sup>2</sup> *Vide* Ch. **xxiii**.